HOUSING MARKET INFORMATION

# HOUSING MARKET OUTLOOK
## Barrie CMA

CANADA MORTGAGE AND HOUSING CORPORATION

Date Released: Spring 2014

## Highlights

- Housing starts will strengthen
- Robust price growth for existing homes
- Migration to support the housing market

Figure 1

Source: CHMC forecasts

The forecasts included in this document are based on information available as of April 30, 2014.

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## New Ownership Market: Home Construction Will Gather Pace

Housing starts in the Barrie CMA will rise this year and maintain their level into 2015. Total starts will move higher in 2014 as a result of the increasing demand for both single-detached homes and less expensive condominiums. Barrie was hit by a prolonged and colder than usual winter that tempered activity in the first quarter. Nonetheless, total starts are standing at the same level as last year and will pick up. A shortage of listings on the resale market will entice builders to break ground on new homes.

With the average price of new homes staying high and continuous interest from buyers, construction activity will gather momentum. Second-time homebuyers form the core of purchasers in the detached home market and will support demand for newer homes.

New home prices have outpaced inflation over the last two years. Unsold inventory has trended down adding pressure on new home prices. Affordable homes are sought after and a larger core of the new home market persists in the price range over 450,000 dollars.

The region will keep its appeal and migration will fuel demand for new homes. On the other hand, demand for new homes will be limited by an easing in employment and smaller earnings gains than in the previous years.

The effects of the limited availability of land will be increasingly felt this year and next and developers will have to consider infill spaces while the municipality plans for growth in the Innisfil annexed lands. Rezoning will be needed as policies are calling for 40 per cent of development to be made within city boundaries. Mixed-use developments will be popular in the areas of intensification identified by the public authorities. Although buyers in the region are price-point sensitive, developers are optimistic about the future of construction in the larger Simcoe region, not just for single homes but also for other types of units.

## Existing Home Market: Market Will Continue to Be Under Pressure

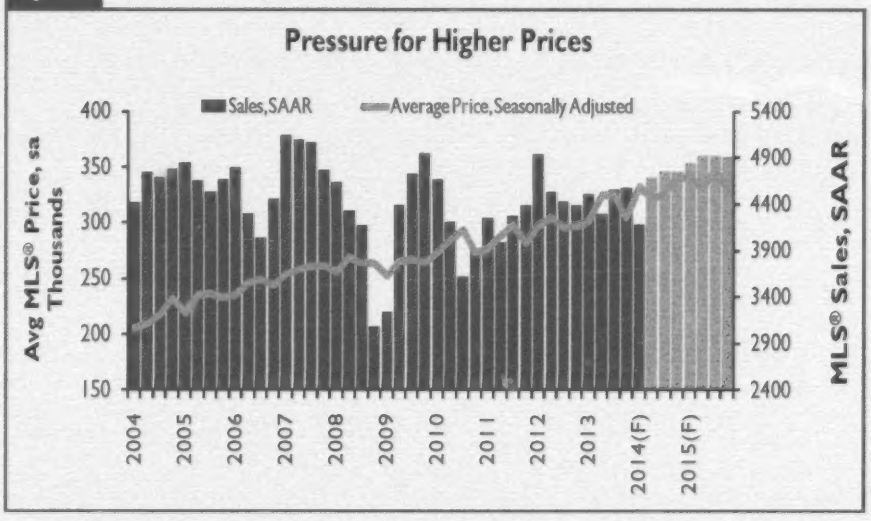
Sales of existing homes have been on a steady uptrend since the recession. Resale activity will move at a slower pace this year and will gather more momentum in 2015. New listings are at a decade low and the effect of the scarcity of homes will prevail for a good portion of 2014. A move back towards a stronger average growth of sales will follow in 2015.

The average resale home price will continue to outpace inflation this year and next. Continuous upticks and larger intermittent gains will pull prices higher and higher. The sales-to-new-listings ratio, a good indicator of future price growth suggests prices are set for strong increases. The ratio has been sitting at a decade high. Some homeowners will be tempted to put their house on the market and realise healthy gains.

Affordable homes are snapped up rapidly in Barrie. The price range under 250,000 dollars is the tightest and the range under 350,000 dollars is very tight. The rest of the market is a bit less tense. Sellers have the last word, making it challenging for first-time homebuyers. On the demand side, enduring low mortgage rates will entice buyers into the market.

Potential buyers coming from the GTA in the hope of finding cheaper homes will support demand in the Barrie market. Carrying costs for the average home in Barrie stand around $1,600 (with 5% down and mortgage

Figure 2




Source: CREA and CMHC Forecasts * Seasonally adjusted.
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insurance) while they are about $2,600 in Toronto. Potential increases in the cost of gas might cool the demand from commuters; however the pricing differential between the two regions is so wide that Barrie will maintain its appeal.

## Rental Market: Vacancy Rate to Edge Down in 2014

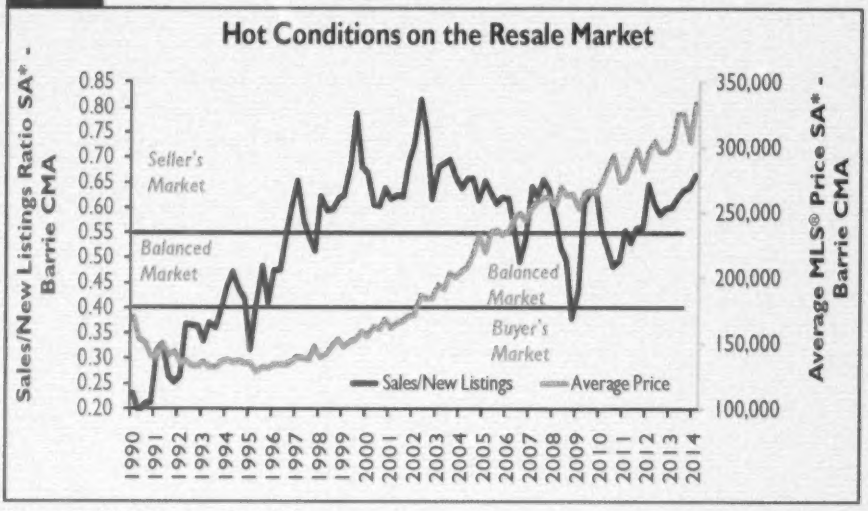
The average vacancy rate is anticipated to edge down towards 2.8 per cent in 2014, close to its long term average. The recent shift to part-time work will combine with the in-migration to add to rental demand. Migrants will continue to come to the Barrie area and a number of them choose to rent upon arrival, before buying later on. Renters with below average financial capacity looking to buy a home are finding it harder to qualify for loans in light of recent policy changes, leaving a number of them renting longer.

Average rent will increase modestly as supply keeps pace with demand. Rents should grow around the general rate of inflation.

Employment in the younger age group has trended down and as a large proportion of jobs are offered in the retail sector where wages are below average, youth demand for rentals will be muted. Affordable accommodation is hard to find in Barrie and with few new units projected as purposed-built rentals, the difficulty is likely to persist throughout the year. Authorities are looking at regularizing the legal status of secondary suites.

Individual investors in rental are cautious despite the region offering some of the highest rents in the province, ranking only third of all CMAs behind Toronto and Ottawa. The potential establishment of a formal university campus in Barrie is likely to attract investors in the near future.

Figure 3

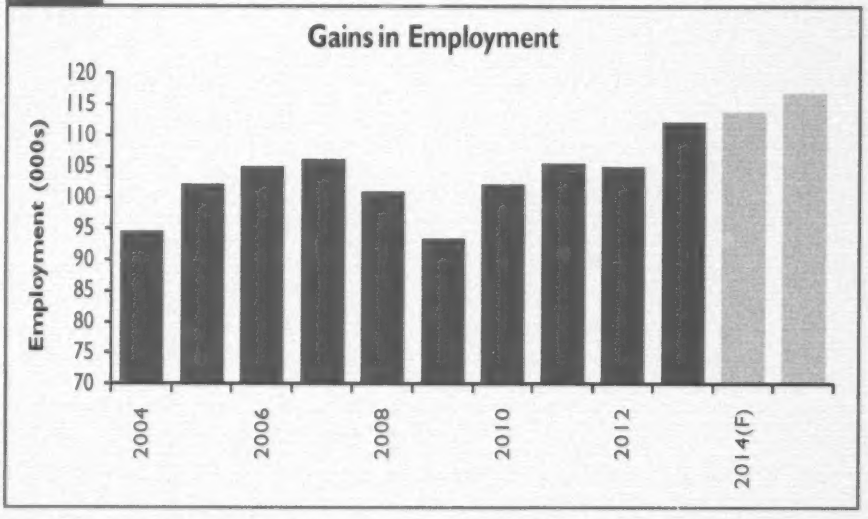



Source: CMHC forecsts and CREA.
Quarterly sales data are seasonally adjusted and multiplied by 4 to show an annual rate. Price data are adjusted for seasonal factors. MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

## Economic Trends: In-Migration Supporting Housing Demand

Although house prices stand at record highs for Barrie, the region will benefit from steady migration that will

Figure 4




Source: Statistics Canada, CMHC forecasts

support demand for homes. Migrants will keep coming from the Greater Toronto Area to Barrie, fuelling population growth.

An increase in the number of births tells us younger households are coming to Barrie to start families. That trend will persist going forward. Migrants coming from regions other than Toronto also form a significant part of the intra-provincial migration which helps keep net migration trending upwards.

Employment will be growing in 2014 and 2015 albeit at a slower pace than in 2013. The rate of growth in employment should closely follow the rate of growth in the labour force. Full-time employment has recently experience a softening but is forecasted to improve. With the US economy recovering, the manufacturing sector is likely to make gains. Employment in construction should also benefit from the demand for newer homes. Unemployment will be trending lower than its long-term average as jobs are added.

The 25 to 44 age group will show resilience in employment with an above average participation rate. This category contains most of the workforce and reflects demand for first and second homes. Wages will be progressing at a more moderate pace than in previous years.

## Mortgage Rate Outlook

### Mortgage rates to see gradual and modest increases by the end of 2015, but will remain low by historical standards

- Consistent with the view of Canadian economic forecasters, CMHC expects interest rates to register gradual and modest increases by the latter part of the 2015 forecast horizon. This will lead to increases in mortgage rates. Despite this, mortgage rates will remain low and will continue to support housing market activity over the forecast horizon.
- According to CMHC's base case scenario for 2014, the average for the one-year posted mortgage rate is forecast to be within 3.0 per cent to 3.50 per cent, while the average for the five-year posted mortgage rate is anticipated to be within 5.0 per cent to 5.5 per cent. For 2015, the average for the one-year posted mortgage rate is expected to rise and be in the 3.20 per cent to 4.25 per cent range, while the average for the five-year posted mortgage rate is forecast to be within 5.25 per cent to 6.0 per cent.

| Mortgage rates | | |
|---|---|---|
| 1 Year | Q1 2014 | 3.14 |
| | Change from Q1 2013 | 0.14 |
| | 2014 (F) | 3.00 - 3.50 |
| | 2015 (F) | 3.20 - 4.25 |
| 5 Year | Q1 2014 | 5.15 |
| | Change from Q1 2013 | -0.06 |
| | 2014 (F) | 5.00 - 5.50 |
| | 2015 (F) | 5.25 - 6.00 |

Source: Bank of Canada, CMHC Forecast
NOTE: Mortgage rate forecast is based on Q1 2014 data

## Trends at a Glance

| Key Factors and Their Effects on Housing Starts | |
|---|---|
| Mortgage Rates | Mortgage rates are expected to remain near historic lows which will continue to support housing demand |
| Employment | Slower gains in full time jobs and an increase in part-time jobs will moderate housing demand |
| Income | Average weekly earnings growth to decrease |
| Net Migration | Net migration will drive housing demand and rental demand. |
| Resale Market Classification | Persistence of a sellers' market, particularly for homes under $350,000. Sales will increase in 2014 and 2015 |
| Vacancy Rates | Rental market will tighten slightly in 2014 |
| Other | Price differential with Toronto a main factor for housing demand |

## Forecasts Risks

This outlook is subject to some risks, including the following:

- Sales activity could be weaker than expected should employment and earnings gains fail to materialize.
- A lower pace of migration could help loosen the market and bring buyers and sellers in balance.
- Canadians are still accumulating debt, albeit at a stable pace. Nonetheless, levels of household debt remain relatively high. With historically elevated house prices in some urban centres, these factors have made the Canada's economy more vulnerable to some economic shocks. For instance, if a sharp increase in interest rates or a large deterioration in employment were to occur, some of the more heavily indebted households could be forced to liquidate some of their assets, including their home. This could put downward pressure on house prices and, more generally, on housing market activity. Although this risk can arise in the shorter term, its impact would not be immediate on most indebted households because of the prevalence of fixed mortgage terms.
- The economies of China and other emerging-market countries remain vulnerable to tightening credit conditions and political uncertainty. This could affect the global economic recovery and world financial system. In turn, this could negatively impact demand for Canadian exports, contributing to a weakening of the Canadian economy and potentially lower demand for housing.
- A stronger than expected U.S. economic growth could positively impact Canadian economic growth, contributing to a higher level of activity in Canada's housing markets.

| Forecast Summary<br>Barrie CMA<br>Spring 2014 | | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2011 | 2012 | 2013 | 2014f | % chg | 2015f | % chg |
| **New Home Market** | | | | | | | |
| **Starts:** | | | | | | | |
| Single-Detached | 354 | 474 | 602 | 635 | 5.5 | 685 | 7.9 |
| Multiples | 346 | 308 | 289 | 355 | 22.8 | 310 | -12.7 |
| Semi-Detached | 1 | 6 | 6 | 10 | 66.7 | 10 | 0.0 |
| Row/Townhouse | 78 | 179 | 165 | 100 | -39.4 | 100 | 0.0 |
| Apartments | 267 | 123 | 118 | 245 | 107.6 | 200 | -18.4 |
| Starts - Total | 700 | 782 | 891 | 990 | 11.1 | 995 | 0.5 |
| **Average Price ($):** | | | | | | | |
| Single-Detached | 416,757 | 425,776 | 456,970 | 483,000 | 5.7 | 509,000 | 5.4 |
| **Median Price ($):** | | | | | | | |
| Single-Detached | 363,333 | 369,990 | 392,800 | 415,000 | 5.7 | 438,000 | 5.5 |
| New Housing Price Index (% chg.) (Ontario) | 3.6 | 4.1 | 2.1 | n/a | - | n/a | - |
| **Resale Market** | | | | | | | |
| MLS® Sales | 4,228 | 4,576 | 4,648 | 4,700 | 1.1 | 4,900 | 4.3 |
| MLS® New Listings | 7,676 | 7,506 | 7,453 | 7,300 | -2.1 | 7,200 | -1.4 |
| MLS® Average Price ($) | 287,588 | 299,685 | 317,883 | 329,000 | 3.5 | 337,000 | 2.4 |
| **Rental Market** | | | | | | | |
| October Vacancy Rate (%) | 1.7 | 2.0 | 3.0 | 2.8 | - | 2.6 | - |
| Two-bedroom Average Rent (October) ($) | 1,001 | 1,037 | 1,048 | 1,065 | 1.6 | 1,085 | 1.9 |
| **Economic Overview** | | | | | | | |
| Mortgage Rate (1 year) (%) | 3.52 | 3.17 | 3.08 | 3.00 - 3.50 | - | 3.20 - 4.25 | - |
| Mortgage Rate (5 year) (%) | 5.37 | 5.27 | 5.24 | 5.00 - 5.50 | - | 5.25 - 6.00 | - |
| Annual Employment Level | 105,500 | 105,100 | 112,100 | 114,000 | 1.7 | 117,000 | 2.6 |
| Employment Growth (%) | 3.2 | -0.4 | 6.7 | 1.7 | - | 2.6 | - |
| Unemployment rate (%) | 9.7 | 8.3 | 7.0 | 7.3 | - | 7.1 | - |
| Net Migration | 565 | 1,848 | 1,622 | 1,700 | 4.8 | 1,750 | 2.9 |

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Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)

**NOTE:** Rental universe = apartments 3+

# DEFINITIONS AND METHODOLOGY

## New Home Market

Historical home starts numbers are collected through CMHC's monthly Starts and Completions Survey. Building permits are used to determine construction sites and visits confirm construction stages. A start is defined as the beginning of construction on a building, usually when the concrete has been poured for the whole of the structure's footing, or an equivalent stage where a basement will not be part of the structure.

**Single-Detached Start:**
The start of a building containing only one dwelling unit, which is completely separated on all sides from any other dwelling or structure.

**Semi-Detached Start:**
The start of each of the dwellings in a building containing two dwellings located side-by-side, adjoining no other structure and separated by a common or party wall extending from ground to roof.

**Row (or Townhouse) Start:**
Refers to the commencement of construction on a dwelling unit in a row of three or more attached dwellings separated by a common or party wall extending from ground to roof.

**Apartment and other Starts:**
Refers to the commencement of construction on all dwellings other than those described above, including structures commonly known as stacked townhouses, duplexes, triplexes, double duplexes and row duplexes.

**Average and Median Single Detached Home Prices:**
Are estimated using CMHC's Market Absorption Survey, which collects home prices at absorption and measures the rate at which units are sold or rented after they are completed. Dwellings are enumerated each month after a structure is completed until full absorption occurs. The term "absorbed" means that a housing unit is no longer on the market as it has been sold or rented.

**New Home Price Indexes:**
Changes in the New Home Price Indexes are estimated using annual averages of Statistics Canada's monthly values for New Housing Price Indexes (NHPI).

## Resale Market

Historical resale market data in the summary tables of the Housing Market Outlook Reports refers to residential transactions through the Multiple Listings Services (MLS®) as reported by The Canadian Real Estate Association (CREA). In Quebec, this data is obtained by the Centris® listing system via the Quebec Federation of Real Estate Boards.

**MLS® (Centris® in the province of Quebec) Sales:**
Refers to the total number of sales made through the Multiple Listings Services in a particular year.

**MLS® (Centris® in the province of Quebec) Average Price:**
Refers to the average annual price of residential transactions through the Multiple Listings Services.

## Rental Market

Rental Market vacancy rates and two bedroom rents information is from Canada Mortgage and Housing Corporation's (CMHC's) October Rental Market Survey (RMS). Conducted on a sample basis in all urban areas with populations of 10,000 and more, the RMS targets privately initiated structures with at least three rental units, which. have been on the market for at least three months. The survey obtains information from owners, managers, or building superintendents through a combination of telephone interviews and site visits.

Vacancy Rate:
The vacancy rate refers to the average vacancy rate of all apartment bedroom types. A unit is considered vacant if, at the time of the survey, it is physically unoccupied and available for immediate rental.

Two Bedroom Rent:
The rent refers to the average of the actual amount tenants pay for two bedroom apartment units. No adjustments are made for the inclusion or exclusion of amenities and services such as heat, hydro, parking, and hot water.

## Economic Overview

Labour Force variables include the Annual Employment Level, Employment Growth, Unemployment Rate. Source: Statistics Canada's Labour Force Survey.

Net Migration:
Sum of net interprovincial (between provinces), net intra-provincial (within provinces), net international (immigration less emigration), returning Canadians and temporary (non-permanent) residents as provided to the CANSIM database by Statistics Canada's Demography Division. Sources of inter-provincial and intra-provincial migration data include a comparison of addresses from individual income tax returns for two consecutive years from Canada Revenue Agency (CRA) taxation records. The migration estimates are modelled, with the tax file results weighted to represent the whole population.

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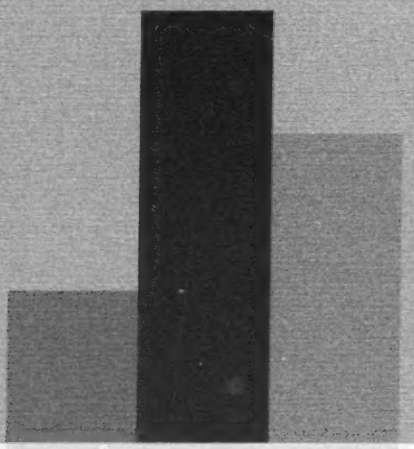

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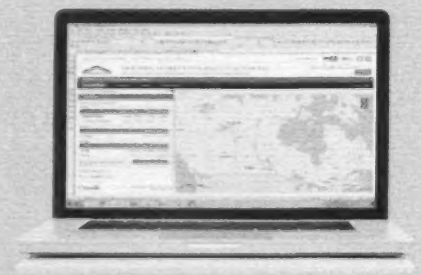

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